

Division of Family and Children Services Administrative Policies and Procedures Manual Title: Local Funds	Section: Administrative Part: 202 Page: 1 of 4 Date: January 2015
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Overview of Local Funds

- A. Each year the county DFCS offices proactively seek out additional funding from local entities to supplement their budgets in meeting specific needs. The local entities could be the city or county government, local hospitals, board of education and others.

NOTE: Each year the DFCS county director would request from the County Commissioners that their budget and fund balance for the fiscal year just completed be used at the director's discretion and should be used in a prudent business fashion. Line item specific budgets require approval by the county commissioners for any changes in the use of a line item specific budget.

NOTE: Expenditures solely for the benefit of employees whether the budget is discretionary or line item must comply with DHS and State Personnel Board rules governing employee compensation, including but not limited to supplements, furloughs, gifts or gratuities.

NOTE: County funds left over at the end of each budget year must have the county commissioners approval to maintain as Fund Balance. This needs to be documented in the meeting minutes.

The additional funding is to be used as directed from the local entity. All funding whether from federal, state or local entities has to have an approved budget in place before any expenditure can be made.

- B. These local funds are subject to the same internal control policy and procedures governing state and federal funds. This means the same guidelines are to be used in receipting funds, requesting a purchase order when needed, submitting approved original invoices, and writing a check from the correct account numbers.

Division of Family and Children Services Administrative Policies and Procedures Manual Title: Local Funds	Section: Administrative Part: 202 Page: 2 of 4 Date: January 2015
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C. Local entity funds can be used for specific needs when state funds are not allowed or there is a need to supplement state funds. Expenditures must specify and be approved in the county's budget and Board Members approval must be documented in the board minutes. Examples of these expenditures are:

- Travel
- Regular Operating Cost
- Equipment
- Foster Care Expenses (including haircuts, allowances, musical instruments/lessons, diapers, school activity fees, camps, photo packages, etc.)
- General Assistance to Clients (Indigent Care)
- Training/Staff Appreciation/DFCS related meeting expenses (including training material, meals/refreshments with an agenda.)
- Certificates or plaques of merit or achievement, follow Policy 803 of the DHR Personnel Policies titled Incentive Pay and Meritorious Awards
- Plaques to a retiring employee

Local entity funds that are on the local DFCS' books can not be used for state employee gratuities in the form of lump sum cash payments or gifts. A gift is defined in the Governor's Executive Order as anything of value exceeding \$25.00. This covers gifts from any funding source. Examples of prohibited items include but not limited to:

- Gift cards of any amount
- Holiday hams or turkeys
- Replacement salary for furlough days
- SPA Retreats
- Out of pocket cost incurred by an employee while on the job, such as insurance deductibles if in an accident, towing, etc.
- Retirement reception or a Faithful Service Cash Award in lieu of a retirement reception

NOTE: Funds that are raised/earned by the employees for use in funding the birthday clubs; secret santa; retirement reception or gift; flowers to staff and family should not be deposited into an account that has DFCS' Employer Identification Number attached to it. A separate account in an employee's name would need to be established, and any loss of funds due to misuse/fraud would be at the employees' risk.

Division of Family and Children Services Administrative Policies and Procedures Manual Title: Local Funds	Section: Administrative Part: 202 Page: 3 of 4 Date: January 2015
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NOTE: A Retirement Plaque is allowed to be paid from state funds in appreciation for an employee's years of service, but the Retirement Reception must be funded from outside of state or county funds. Even if the county board approves county funds of a specific amount to be applied towards an employee's reception based on years of service, this still must go through the review process with the state office, Policy 803 – Meritorious Awards, for approval.

NOTE: Funds received from Interest on County CD's and Savings accounts should remain on the DFCS' books, and can be used for Staff Appreciation Day Luncheons where a meeting and luncheon occurs, an agenda for the meeting should be attached to the payment as supporting documentation.

- D. County funds may also be used to provide additional compensation for agency staff. When approving funds for the purpose of compensating employees within the county DFCS office, use of these county funds must comply with state policy as well as IRS guidelines for appropriate compensation of state employees.

There is no authority, regardless of the funding source, for awarding across the board bonuses to state employees. Providing a bonus or other form of lump sum payment without specific authority to do so would violate the gratuities provision of the state constitution.

Examples of appropriate compensation expenditures include:

- Salary and fringe benefits
- Temporary or conditional salary supplements
- Ongoing salary supplements
- Lump sum incentive based payments

Payment of salary and fringe benefits may be used to augment local operations.

Temporary or conditional salary supplements may be used in the same manner as state funded supplemental pay when state funds are not available.

Ongoing local funded salary supplements may be used to support retention efforts by the agency. A plan for providing monthly supplements must be submitted for review to state personnel by the Division before payments may be scheduled to begin. The plan must be funded for a minimum of one year, include all job titles to receive the supplement, and give any specific inclusion criteria such as tenure. All incumbents in a job title must be included when they meet other inclusion criteria.

Division of Family and Children Services Administrative Policies and Procedures Manual	Section: Administrative Part: 202 Page: 4 of 4 Date: January 2015
Title: Local Funds	

Local funds may be used for one-time lump sum payments for incentive or meritorious awards. Incentive pay is a one-time lump sum payment and must be based on achievement of a pre-determined goal which does not become part of an employee's based salary. Meritorious award payments are a one-time lump sum payment based on extraordinary achievement which does not become part of base salary. Plans for lump sum payments to state employees must meet the provisions of DHR Personnel Policy #803, Incentive Pay and Meritorious Awards.

E. The local DFCS office receives funds from the local entities in one of two ways.

One is the local entity reimburses the DFCS office for all approved county expenditures that were expensed during that month. Usually, a statement/invoice is prepared by the regional accounting office detailing the expenditures, based on the needs of the local entity, and submits to the local entity for reimbursement. The local entity then sends the DFCS office a check for the amount requested. The reimbursement should be received the following month since state funds are used initially to pay for these expenditures.

The second way the DFCS office receives funds from the local entity is called a Cash Advance. The local entity decides at the beginning of the fiscal year to advance the DFCS office a portion of their approved budgeted funds (e.g., monthly, quarterly or semi-annually).

F. A Surplus of local funds at the end of the fiscal year means that the DFCS office did not spend all of the funds that were advanced to them during the year. Depending on the agreement between the DFCS office and the local entity, the surplus funds should be accounted for as follows:

1. Return the surplus to the local entity if this is the agreement.
2. Retain the surplus as agreed in writing from the local entity, it is permissible to leave the balance in the cash advance account to be used in the county's next fiscal year.
3. Retain the surplus as agreed in writing from the local entity and move the balance to your Restricted Fund's Fund Balance account to be used at a later date, which would require approval from the County **Commission** at the time used.

G. A Deficit of local funds at end of the fiscal year means the DFCS office overspent the amount budgeted by the local entity. If the local entity does not agree to reimburse for the amount overspent, the DFCS office will have to cover the overage with money from their Fund Balance account.